

## Renewable Energy Certificate Purchases from Tuana Springs Energy

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<b>Supersedes</b>	N/A		
<b>Key Contacts</b>	<b>Name(s)</b>	<b>Phone</b>	<b>Short Title</b>
	Robert W. Cromwell, Jr.	684-3856	Director, Power Contracts & Resource Acquisition
	Eric Espenhorst	684-3612	Strategic Advisor, Power Contracts
<b>Council Action Required?</b>	<b>Y</b>	<b>If YES, within the next 3 months?</b>	<b>Y</b>
<b>Public Hearing Required?</b>	<b>N</b>		
<b>Presenters (if applicable)</b>	<b>Robert W. Cromwell, Jr.</b>		

### Summary Statement

The City Light Department is requesting City Council approval of a purchase of renewable energy certificates (“RECs”) from a wind farm near Boise, Idaho, beginning in 2015. The price and timing make the purchase a low-cost option for partially complying with Washington State’s renewable portfolio standard. The Department proposes to purchase approximately 40,000 RECs per year at \$15 per REC, flat for the term of the agreement. There is a one-time brokerage fee of \$213,750 due in 2011. The cost for I-937 compliance associated with this agreement is approximately \$600,000 per year from 2015 to 2029.

### Background

In 2006, voters in Washington State passed Initiative 937 (I-937), also called the Energy Independence Act. The initiative sets targets for energy efficiency and acquisition of eligible renewable energy resources. I-937 targets are 3% of load served with eligible resources by 2012, 9% of load served by 2016, and 15% of load served by 2020.

I-937 allows utilities to use eligible resources or RECs, or a combination of these, to meet the targets. Eligible resources provide energy, which City Light can use to serve its customer energy requirements or resell. REC purchases do not provide energy. Depending on City Light’s need for power and the relative price of eligible resources and RECs, REC-only purchases can be the most cost-effective means of complying with I-937.

In the summer of 2010 the Department presented a set of strategy options to the City Council’s Energy, Technology and Civil Rights Committee to assure the city’s compliance with I-937. Consistent with that strategy and in conjunction with the Master REC agreement approved by Ordinance 123499 in December 2010, this proposed purchase of RECs from 2015 to 2029 is a cost-effective means of partially meeting the City’s need for RECs during that period of time.

Currently, City Light expects to meet its 2012 I-937 target with output from the Stateline wind project. With this proposed REC purchase contract, City Light is taking proactive steps to meet the 2016 target, consistent with the strategy presented to the Energy, Technology and Civil Right's Committee.

◆ **Tuana Springs Wind REC Purchase**

Tuana Springs Energy LLC has developed a wind farm. The Tuana Springs Wind project is a 16.8 MW project in southern Idaho and is currently operating. Idaho Power purchases the electrical output, and under the proposed agreement Tuana Springs Energy LLC will sell the RECs to City Light from 2015 to 2029. Expected annual output is 40,000 RECs, which City Light intends to use to satisfy its I-937 requirements.

This is the most cost-effective means of meeting part of the City's I-937 targets for the term of the proposed agreement, thereby decreasing the rate pressure on our customers for that period of time. Other than the one-time brokerage fee of \$213,750 in 2011, there are no financial impacts to our ratepayers until 2015.

<b>Key Issues</b>
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**Effect on Ratepayers**

The REC purchase increases annual revenue requirements approximately 0.1% from 2015 to 2029. Cost allocation and rate design will likely change how this spending ultimately affects retail rates. The increase for some rate classes will be higher and some smaller than the amount shown here.

<b>Next Steps</b>
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If City Council approval is received, execute the agreement.